

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

Notice LD-526

For: State and County Offices

Transition Period Payments

Approved by: Deputy Administrator, Farm Programs



1 Overview

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Background

Notice LD-524 announced the Milk Income Loss Contract (MILC) Program. The MILC Program provides producers on eligible dairy operations with monthly payments based on the quantity of eligible production marketed by the producer in a month, multiplied by the figure that results from taking \$16.94 per hundredweight (cwt) and subtracting the Class I milk price per cwt in Boston for that month, and multiplying the difference by 45 percent.

To facilitate a transition to this new program, the same payment calculation will be applied to the period beginning December 1, 2001, through the month preceding the month the producer on an eligible dairy operation enters into a contract with CCC.

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Purpose

This notice informs State and County Offices of the following:

- transition period payment option
- MILC payment rates
- general information about the MILC Program.

Disposal Date

December 1, 2002

Distribution

State Offices; State Offices relay to County Offices

2 Transition Period Payment

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FY 2002 Transition Payment Option

During the 2002 FY only, an eligible dairy operation may elect to forgo their transition payment and instead receive an FY 2002 payment for the month of **September**, since it is the only month remaining in the FY.

Since September is the last month of the 2002 FY, producers on eligible dairy operations who plan to forgo their transition payment and instead elect to receive an FY 2002 payment must, on CCC-580, make their transition payment election and select September as the starting month they would like to begin receiving payments from CCC for the 2002 FY, by **COB August 30, 2002**.

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Election to Forgo Transition Payment

If a dairy operation elects to forgo their transition payment, the dairy operation will not receive a payment for:

- **the transition period** (December 1, 2001, through the month preceding the month the producer on an eligible dairy operation makes an offer to enter into a contract with CCC by submitting a completed CCC-580 to the County Office)
- **August 2002** (the month in which the producer on an eligible dairy operation makes an offer to enter into a contract with CCC by submitting a completed CCC-580 to the County Office).

The dairy operation's FY 2002 payment will be:

- made at the September 2002 payment rate
 - based on production produced by the dairy operation during the month of September 2002.
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2 Transition Period Payment (Continued)

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**Payment Option
Example**

On August 13, 2002, ABC Dairy Operation makes an offer to enter into MILC with CCC on CCC-580. ABC Dairy Operation:

- elects to forgo their transition payment to instead receive a payment for the 2002 FY
- selects September as the starting month the dairy operation wants to begin receiving payments from CCC.

ABC Dairy Operation will receive an FY 2002 payment at the September 2002 payment rate on the quantity of milk produced and commercially marketed by the operation during the month of September, up to the 2,400,000 pound production maximum.

Note: The month of August could not be selected for payment by the dairy operation because the month has already begun.

3 Transition Period Clarification

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**FY 2002 Post
Transition
Period Months**

If MILC is entered into during FY 2002 and the operation:

- **reaches** the production cap within the transition period, no additional FY 2002 payments will be earned
 - **does not reach** the maximum eligible production cap by the end of the transition period, payments to the dairy operation will continue during the month their completed CCC-580 was submitted to the County Office (August 2002), and subsequent months thereafter until the earlier of the following:
 - 2.4 million maximum eligible production cap is reached
 - end of the 2002 FY.
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3 Transition Period Clarification (Continued)

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Transition Periods in Multiple FY's

Transition period payments may carry over multiple FY's depending on the date the producers in a dairy operation make an offer to enter into a contract with CCC, on CCC-580. Eligible dairy operations are subject to a maximum eligible production cap of 2.4 million pounds per FY, including the production counted for an operation during the transition period.

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FY 2003 Through 2005 Post Transition Period Months

If the transition period carries over to multiple FY's according to subparagraph B, producers in an eligible dairy operation will receive consecutive monthly payments beginning with the first month of the FY through the month the dairy operation submits a completed CCC-580 to the County Office.

If the maximum eligible production cap has not been reached and if there are months remaining in the applicable FY following the transition period, the dairy operation may do either of the following:

- continue receiving consecutive monthly payments for the remainder of the applicable FY until the maximum eligible production cap is reached
 - select the starting month the producers in the eligible dairy operation would like to begin receiving payments from CCC from the months remaining in the applicable FY after the month the completed CCC-580 is submitted to the County Office.
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Issuing Transition Period Payments

Transition period payments will be issued in 1 lump sum payment, provided all production evidence for the applicable months is provided to the County Office according to Notice LD-524, paragraph 8.

Months following the transition period will also be included in the lump sum payment provided all production evidence is provided to the County Office by the time the initial transition period payment is disbursed.

Notice LD-526

4 General Information

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HELC/WC Clarification

Producers must certify on AD-1026 that they are in compliance with HELC/WC provisions if they plan to participate in the MILC Program and before MILC payments are made. A forthcoming CP notice will clarify:

- HELC/WC provisions applicable to the MILC Program
 - Notice LD-521.
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Payment Rates

MILC payment rates to date for the months of December through August are as follows.

Month	Payment Rate
December 2001	\$0.77
January 2002	\$0.78
February 2002	\$0.78
March 2002	\$0.93
April 2002	\$1.00
May 2002	\$1.09
June 2002	\$1.20
July 2002	\$1.38
August 2002	\$1.44

Note: These posted rates are rounded to the nearest tenth. Actual rates will be rounded 7 places to the right of the decimal.

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Website

Boston Class I milk prices are announced monthly and posted to the AMS website at the following website.

http://www.fmmone.com/Northeast_Order_Prices/New_Prices_main.htm#Advance

PSD will also post the monthly MILC payment rates and provide information on the MILC Program at the following website.

<http://www.fsa.usda.gov/dafp/psd>

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Notice LD-526

4 General Information (Continued)

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Operation Clarification

The Farm Security and Rural Investment Act of 2002 instructs CCC to apply the same standards that were applied in implementing DMLA-III. In DMLA-III, a dairy operation was defined as any person or group of persons who, as a single unit as determined by CCC, produce and market milk commercially produced from cows, and whose production and facilities are located in the United States.

Each State and County Office shall apply this definition to the MILC Program in the same manner applied for the DMLA-III Program.

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Foreign Person Eligibility

Foreign persons with a working visa or other valid taxpayer identification number in an eligible dairy operation is eligible to receive MILC benefits.

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Marketing Outside the United States

Dairy operations that produce milk in the United States, and commercially market the milk outside the United States, are eligible to receive MILC benefits.

5 Action

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SED and STC Action

SED's and STC's shall:

- ensure that County Offices immediately notify producers of the contents of this notice using all available sources
 - refer to Notice LD-524 for procedures for applying for MILC benefits.
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